

HGSL's Q2FY11 Revenue expands 18% at ₹ 2660.7 million EBITDA at ₹ 366.6 million, PAT at ₹ 253.5 million

Mumbai, November 10, 2010: Hinduja Global Solutions, a leading provider of Outsourcing Solutions to Fortune 500 companies, today announced its unaudited financial results for the quarter ended September 30, 2010

Financial Highlights

- Consolidated Revenue for Q2FY11 was ₹ 2,660.7 million against ₹ 2,250.0 million in Q2FY10, registering y-o-y growth of 18%. On a sequential quarter basis, revenues were higher by 17% than Q1FY11 revenues of ₹ 2,266.8 million.
- Consolidated EBITDA for Q2FY11 was ₹ 366.6 million against ₹ 454.4 million in Q2FY10 primarily due to investments in new centres and the impact of rate reduction in the India domestic business. On a sequential basis, the EBITDA in Q2FY11 was higher by 17 %, as compared to the Q1FY11 EBITDA of ₹ 314.6 million.
- Consolidated PAT for Q2FY11 was ₹ 253.5 million as against ₹ 377.8 million in Q2FY10. On a sequential basis, Consolidated PAT was higher by 10% in Q2FY11 as compared to the Consolidated PAT of ₹ 231.1 million in Q1FY11.

CEO's message

Commenting on the results, **Mr. Partha De Sarkar, CEO**, said, *“Careline Services Ltd, which we acquired in June this year, has contributed significantly to incremental revenues in the current quarter. This acquisition has provided us the much required exposure in the European markets and we hope to extend our reach further, not only geographically but also to new verticals and services.*

While there continue to be challenges like rupee appreciation and employee attrition, we are confident of delivering sustained growth in operations as the pipeline of business continues to be robust.

We look forward to an eventful second half in which we continue to invest further by expanding capacities, thereby increasing the growth momentum and delivering higher returns to stakeholders”

Operating Highlights

- The company added 5 new Clients during the quarter.
- Headcount of 16,740 associates at the end of the quarter against 15,936 associates at the start of the quarter.
- During the quarter, the Company inaugurated its second centre at Durgapur in India with a capacity of 220 seats to cater to the domestic business.
- The Company, through its wholly owned subsidiary Hinduja Outsourcing Solutions India Pvt. Ltd., took on lease 43,000 sq. ft. of space in Global Village IT Sector SEZ in Bangalore. The facilities are being built up and are expected be ready by end December 2010.

Key Perspectives

- Consolidated PAT for Q2FY11 – ₹ 253.5 million
 - Diluted EPS – ₹ 12.30 per share (not annualized)
- Consolidated PAT TTM (Oct '09 to Sept '10) – ₹ 1,046.3 million
 - Diluted EPS – ₹ 50.82 per share
- Net Worth as on September 30, 2010 – ₹ 9,966.7 million
 - Book Value – ₹ 484.1 per share
- Debt of ₹ 1,841.0 million as on September 30, 2010
- Consolidated EV/EBITDA – 2.5 times
- Net Cash & Cash equivalents as on September 30, 2010 – ₹ 4,692.2 million
 - Net Cash and Cash Equivalents – ₹ 228 per share
- Market Capitalisation – ₹ 8,230.5 million
 - Based on the closing price of ₹ 399.75 per share on NSE on November 9, 2010.

Note on Exceptional Items

Exceptional items represent a provision made towards mark-to-market losses on outstanding forward exchange contracts held for hedging future customer receivables. It has resulted in a gain of ₹ 9.6 million for the quarter ended September 30, 2009 and a gain of ₹ 57.6 million

for the year ended March 31, 2010. The Company's forward covers relate to underlying business transactions and are not speculative in nature.

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Attached: Details to the announcement

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About Hinduja Global Solutions Ltd. (HGSL)

Hinduja Global Solutions, a part of the multi-billion dollar conglomerate - Hinduja Group, excels in providing outsourcing solutions that include Back Office Processing, Contact Center services and customized ITES solutions to its global clientele comprising several Fortune 500 Companies. HGSL has been ranked the Best performing Call Center Worldwide by the Global Services Magazine in association with Neo IT in January 07. HGSL has its registered office in Mumbai, is headquartered in Bangalore and has 30 delivery centers in the United States, Canada, U.K., Mauritius, Philippines and India. The Company employs over 16,000 people worldwide.

Disclaimer

Some of the statements in this document that are not historical facts are forward looking statements. These forward-looking statements include our financial and growth projections as well as statements concerning our plans, strategies, intentions and beliefs concerning our business and the markets in which we operate.

These statements are based on information currently available to us, and we assume no obligation to update these statements as circumstances change. There are risks and uncertainties that could cause actual events to differ materially from these forward-looking statements. These risks include, but are not limited to, the level of market demand for our services, the highly-competitive market for the types of services that we offer, market conditions that could cause our customers to reduce their spending for our services, our ability to create, acquire and build new businesses and to grow our existing businesses, our ability to attract and retain qualified personnel, currency fluctuations and global market conditions and other risks not specifically mentioned herein but those that are common to industry.

Further, this document may make references to reports and publications available in the public domain. Hinduja Global Solutions Ltd. makes no representation as to their accuracy or that the company subscribes to those views / findings.

Details to the announcement

P&L Perspective (all figures in ₹ Million)

Particulars	Q2FY11	Q1FY11	Q-on-Q Growth (%)	Q2FY10	Y-on-Y Growth (%)
Revenues	2,660.7	2,266.8	17.4%	2,250.0	18.3%
EBITDA*	366.6	314.6	16.5%	454.4	(19.3%)
EBITDA Margin	13.78%	13.88 %		20.20%	
PBT (pre-exceptional)	284.2	270.1	5.2%	409.3	(30.6%)
PBT Margin	10.68%	11.91%		18.19%	
PAT	253.5	231.1	9.7%	377.8	(32.9%)
PAT Margin	9.53%	10.20%		16.79%	

*The drop in EBITDA as compared to the prior corresponding quarter is on account of additional costs towards transitioning business centers from Tier 1 to Tier III cities.

Revenue Analysis

Growth by Geography

Particulars	Sep '10	June '10	Q-on-Q Growth (%)	Sep '09	Y-on-Y Growth (%)
India	829.0	786.6	5.4%	874.7	(5.2%)
Manila	495.2	435.7	13.6%	352.1	40.7%
Mauritius	3.1	4.3	(28.9%)	4.6	(32.4%)
North America	979.5	961.3	1.9%	1,018.6	(3.8%)
U. K.	354.0	78.9	348.7%	0.0	NA
Total Revenues	2,660.7	2,266.8	17.4%	2,250.0	18.3%

On a sequential quarter basis, revenues have shown a healthy growth as UK revenues from Careline Services have been included for the entire duration of the quarter. The growth is also attributable to increased contribution from all of the other major geographies.

On a corresponding quarter basis, there has been robust growth in Manila revenues as operations have stabilized following setting up of a new center. Revenues from India - Domestic continue to be impacted by pricing pressure while India – International revenues and results from other geographies were impacted by appreciation in rupee y-o-y.

Revenue Contribution by Geography

Particulars	Sep '10	%	June '10	%	Sep '09	%
India	829.0	31.2%	786.6	34.7%	874.7	38.9%
Manila	495.2	18.6%	435.7	19.2%	352.1	15.6%
Mauritius	3.1	0.1%	4.3	0.2%	4.6	0.2%
North America	979.5	36.8%	961.3	42.4%	1,018.6	45.3%
U. K.	354.0	13.3%	78.9	3.5%	0.0	0.0%
Total Revenues	2,660.7	100.0%	2,266.8	100.0%	2,250.0	100.0%

Contribution of overall revenues from U.K form about a sixth of overall revenues. Last quarter, Careline revenues were consolidated for only a part of the quarter hence the metric is not comparable. Introduction of UK revenues has resulted in restating of percentage contribution to overall revenues from other centres.

Growth by Vertical

Particulars	Sep '10	June '10	Q-on-Q Growth (%)	Sep '09	Y-on-Y Growth (%)
Telecom & Technology	702.0	545.6	28.7%	663.8	5.8%
Consumer Electronics	592.7	519.7	14.1%	533.5	11.1%
Health Insurance	698.7	663.7	5.3%	577.3	21.0%
BFS	150.5	124.1	21.3%	106.9	40.9%
Chemicals & Biotech	122.8	103.7	18.4%	118.9	3.3%
Others	394.0	309.9	27.1%	249.6	57.8%
Total Revenues	2,660.7	2,266.8	17.4%	2,250.0	18.3%

Revenues from 'Telecom and technology', 'Others' and 'BFS' reflected largest growth rates. Revenues from the 'Chemicals and Biotech' and 'Consumer Electronics' also mirrored a healthy growth rate.

Revenue Contribution by Vertical

Particulars	Sep '10	%	June '10	%	Sep '09	%
Telecom & Technology	702.0	26.4%	545.6	24.1%	663.8	29.5 %
Consumer Electronics	592.7	22.3%	519.7	22.9%	533.5	23.7 %
Health Insurance	698.7	26.3%	663.7	29.3%	577.3	25.7 %
BFSI	150.5	5.7%	124.1	5.5%	106.9	4.7 %
Pharmaceuticals	122.8	4.6%	103.7	4.6%	118.9	5.3 %
Others	394.0	14.8%	309.9	13.7%	249.6	11.1 %
Total Revenues	2,660.7	100%	2,266.8	100.0%	2,250.0	100.0%

Revenue contribution from the ‘Telecom and technology’ and ‘Others’ verticals have shown a rising trend in line with growth in these segments. ‘Consumer Electronics’, ‘BFSI’ and ‘Pharmaceuticals’ performed steadily.

Details of India-based Revenues

Particulars	Sep ‘10	June ‘10	Q-on-Q Growth (%)	Sep ‘09	Y-on-Y Growth (%)
India – Domestic	314.3	279.6	12.4%	353.2	(11.0%)
India – International	514.7	506.9	1.5%	521.5	(1.3%)
Total India based Revenues	829.0	786.6	5.4%	874.7	(5.2%)

India – Domestic revenues have displayed strong growth on a q-on-q basis as the centres in Tier 3 cities have started to ramp up. As guided, volumes have increased as part of the agreement when offering price discounts to customers.

India – International revenues were impacted by the currency fluctuation.

By Currency Exposure

Particulars	Sep ‘10	June ‘10	Q-on-Q Growth (%)	Sep ‘09	Y-on-Y Growth (%)
Local US Earnings – USD	982.5	965.6	1.8%	1023.2	(3.97%)
Exports – USD	1,009.9	942.7	7.1%	873.6	15.6%
Total USD Exposure	1,992.5	1,908.3	4.4%	1896.8	5.0%
U. K. Exposure	354.0	78.9	348.7%	0.0	NA
India Domestic Exposure (INR)	314.3	279.6	12.4%	353.2	(11.0%)
Total Revenues	2,660.7	2,266.8	17.4%	2,250.0	18.25%

The Company continues to receive a large part of its revenues in USD. However, earnings from US based businesses are matched by local expenses in USD. Hence the company’s exposure to currency fluctuation is less than 40% of consolidated revenue. The Company’s acquisition of U.K. based Careline Services has diversified its currencies of operation during the quarter.

Expenditure Analysis

For Q2FY11 Total Expenditure (excluding interest and exceptional items) expanded by 27.5%, on a corresponding quarter basis and on sequential quarter basis, total expenditure was higher by 17%.

This is attributable to higher depreciation with new facilities coming on stream, an increase in headcount and ramp-up costs for expansion. Further, transitioning of business from Tier I to Tier III Cities required the company to run parallel centers in order to ensure business continuity

The company has also incurred costs for setting up operations at the facility in the Bangalore SEZ and for empty seats in Hyderabad and Chennai as business has shifted out of these centres to our Tier 3 centres. These seats are expected to be utilized in the ensuing quarters as we add new business. The Manila centre which was inaugurated a few months earlier has stabilized.

Profitability Analysis

- The PBT (*pre-exceptional*) for Q2FY11 was ₹ 284.2 million as compared to ₹ 409.3 million in Q2FY10. On a sequential quarter basis, PBT (*pre-exceptional*) has expanded by 5.2% than ₹ 270.1 million in Q1FY11.
- Consolidated PAT for Q2FY11 was lower by 33%, at ₹ 253.5 million as compared to ₹ 377.8 million in Q2FY10 impacted by investments in capacity expansion and rupee appreciation. On a sequential quarter basis, PAT increased by 10% as compared to the PAT of ₹ 231.1 million in Q1FY11 due to the expansion in revenues.

Client Metrics

Client contribution to revenues

Particulars	Sep '10	June '10	Sep '09
Top client	13%	16%	16%
Top 5 clients	45%	50%	49%
Top 10 clients	62%	62%	61%
Top 20 clients	78%	79%	81%

The addition of Careline revenues has expanded the overall base of clients. Hence, revenues from Top client & Top 5 Clients have declined as a percentage of overall revenues. This bodes well for the Company as it helps to diversify its client base further.

Client demographics

Particulars	Sep '10	June '10	Sep '09
Over \$ 20 million	3	3	2
Over \$ 15 million	4	4	4
Over \$ 10 million	6	5	4
Over \$ 5 million	11	11	11
Over \$ 1 million	42	34	33

The number of '\$10 million +' and '\$1 million +' clients have increased as the company added some marquee client names through the Careline Acquisition.

Employee Metrics

Particulars	Sep '10	%	June '10	%	Sep '09	%
India	11,063	66.1%	10,857	68.1%	10,073	72.1%
Manila	2,778	16.6%	2,506	15.7%	2,074	14.8%
US	2,047	12.2%	1,801	11.3%	1,822	13.0%
UK	852	5.1%	772	4.8%	0	NA
Total	16,740	100.0%	15,936	100.0%	13,969	100.0%

The employee base in India & Manila has increased following ramp up in capacity and new business. The increase in the number of employees in the US is on account of seasonality. Further, the U.K. acquisition added nearly 800 employees to the headcount.

Update on Cash & Cash Equivalents

The company has a net worth of Rs. 9,966.7 million, debt of Rs. 1,841.0 million and Rs. 6533.2 million (pre-dividend) in cash & cash equivalents as on September 30, 2010. Of this Rs. 5,620 million (US\$ 125 million) is lying in international branches of Indian banks. This sum of cash has been received by the company as its share due to a stake sale of a telecom business in the year 2006-2007. The company sees it prudent to keep cash on hand keeping in view its strategies to grow through acquisitions that provide real synergies. Although, cash on hand is available the company has been very prudent with its acquisition strategy believing that any acquisition it makes should provide real value, synergies and growth opportunities.

The surplus funds are deposited by Pacific Horizon, Mauritius in the fixed deposit schemes of the following banks:

Name of the Bank	Amt (\$ Mn)	Amt (₹ Cr.)
Bank of Baroda, London*	95	425
Bank of Baroda, Dubai	25	112
Cash in hand	6	25
Total	125	562

**through its Fiduciary Bankers Hinduja Bank (Switzerland)*

The money has been deposited in overseas branches / Dollar deposits of Indian Banks to maximize safety of capital.

Capacity enhancement

During the quarter, the Company inaugurated its second centre at Durgapur in India with a capacity of 220 seats to cater to the domestic business. This centre will help build on the success of its earlier centre in Durgapur and is instrumental to the Company's strategy of transitioning business into Tier 3 cities in India. The Company now has a total of 16,709 seats across its global operations and has a seat occupancy ratio of 78.2% for the quarter.

Careline Acquisition

In June 2010, the Company announced the acquisition of a 100% stake of Careline Services – a U.K. based Customer Relationship Management Company.

This acquisition will act as a launch pad for HGSL to enter the large UK and European Markets and will also be a platform to cross sell its global delivery model to Careline's European client base. This is HGSL's first acquisition in UK and it expects to grow the business rapidly in the next few years. With this acquisition, HGSL will have a presence in 30 delivery centres across the USA, India, Philippines, Canada, Mauritius and the U.K. and its global headcount is over 16,000 people.

For further details, please refer to the press release dated June 21, 2010 available on the corporate website – www.hindujagsl.com

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